

U. S. TREASURY DEPARTMENT
Internal Revenue Service
Washington 25, D. C.

June 27, 1956

Alcohol and Tobacco Tax Division
Industry Circular No. 56-25

Optional Daily Return System
For the Payment of Tax on Cigars

Manufacturers of cigars, importers of cigars, and proprietors of customs bonded cigar manufacturing warehouses, class 6, and others concerned:

1. The purpose of this industry circular is to call your attention to Treasury decision 6185, recently published in the Federal Register, which amends regulations, 26 CFR Part 270, to institute an optional daily return system for the payment of tax on cigars, effective July 1, 1956.
2. The Assistant Regional Commissioner, Alcohol and Tobacco Tax, will, upon your request, assist you in your planning to shift over to the return system.
3. An initial supply of the tax return, Form 2135, prescribed under such regulations to be filed, in triplicate, with the District Director of Internal Revenue, will be available at the office of such Assistant Regional Commissioner by the effective date of the return system under which the form may be filed.
4. The regulations (26 CFR 270.64) require that each manufacturer who intends to pay the tax on cigars by return shall submit notice of such intention to the Assistant Regional Commissioner, Alcohol and Tobacco Tax, at least five days in advance of the day on which he desires to shift over to the return system. Such notice may, if desired, be submitted prior to the effective date of the Treasury decision. Manufacturers located at considerable distance from the office of the Assistant Regional Commissioner are requested to use Air Mail, Special Delivery, or other expeditious means of communication, in presenting notification of a change over to the return system, in order that the shift-over can be effectuated on the date desired.

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5. The regulations (26 CFR 270.64) provide that a manufacturer of cigars who exercises his option to pay the tax on cigars by return may not revert to the purchase and payment of tax by stamp. However, he may continue to use the cigar tax stamps that are in his factory on the date on which he desires to pay tax by return as indicated in his notice to this effect. If the manufacturer does not wish to use up such stamps on hand, he may return them to the Assistant Regional Commissioner with claim on Form 843 for redemption or refund. The manufacturer may continue to store and subsequently remove any stamped packages of cigars on hand in his factory at the time of shifting over to the return system.

6. Proprietors of customs bonded cigar manufacturing warehouses, class 6, are afforded the same optional daily return system for the payment of internal revenue tax on cigars removed for consumption in the United States, as is afforded to domestic manufacturers. The regulations (26 CFR 270.199) require proprietors of such warehouses who intend to pay the tax on such cigars by return to file with the Assistant Regional Commissioner, Alcohol and Tobacco Tax, a bond, Form 2100. This form should be appropriately modified by changing, at each place it appears, the expression "manufacturer of cigars and cigarettes" to "proprietor of customs bonded manufacturing warehouse, class 6,"; by changing, at each place it appears, the expression "factory" to "customs manufacturing warehouse"; and by deleting the expression", or any other change which requires the principal to file an application for a new or amended permit as a manufacturer of cigars and cigarettes under this bond". The amount of such bond should be not less than the amount of the tax liability on cigars removed from such warehouse for consumption in the United States during the twelve months preceding the month in which the bond is to be filed, divided by twelve, subject to the usual limitations of \$1,000 minimum and \$200,000 maximum.

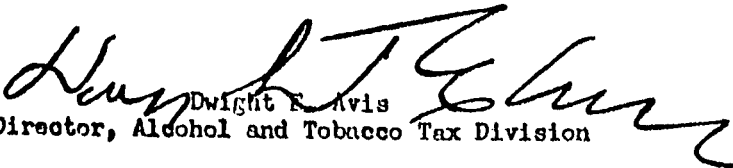
7. No objection will be made to the use of existing stocks of approved packages, wraps, or labels, for packaging cigars to be taxpaid by return, until such stocks are exhausted, provided that the package shows the number of cigars contained in such package and the proper class designation.

8. In connection with the provisions relating to claims for remission, allowance, abatement of assessment, refund, and redemption, the Treasury decision provides that such claims will be filed in original only.

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9. The remittance, with a cigar tax return, should be made in cash, or by check or money order made payable to the "Internal Revenue Service."

10. Inquiries in regard to this industry circular should refer to the number thereof and should be directed to the appropriate Assistant Regional Commissioner, Alcohol and Tobacco Tax.


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